



FASS - PH
Spring/Summer 2019



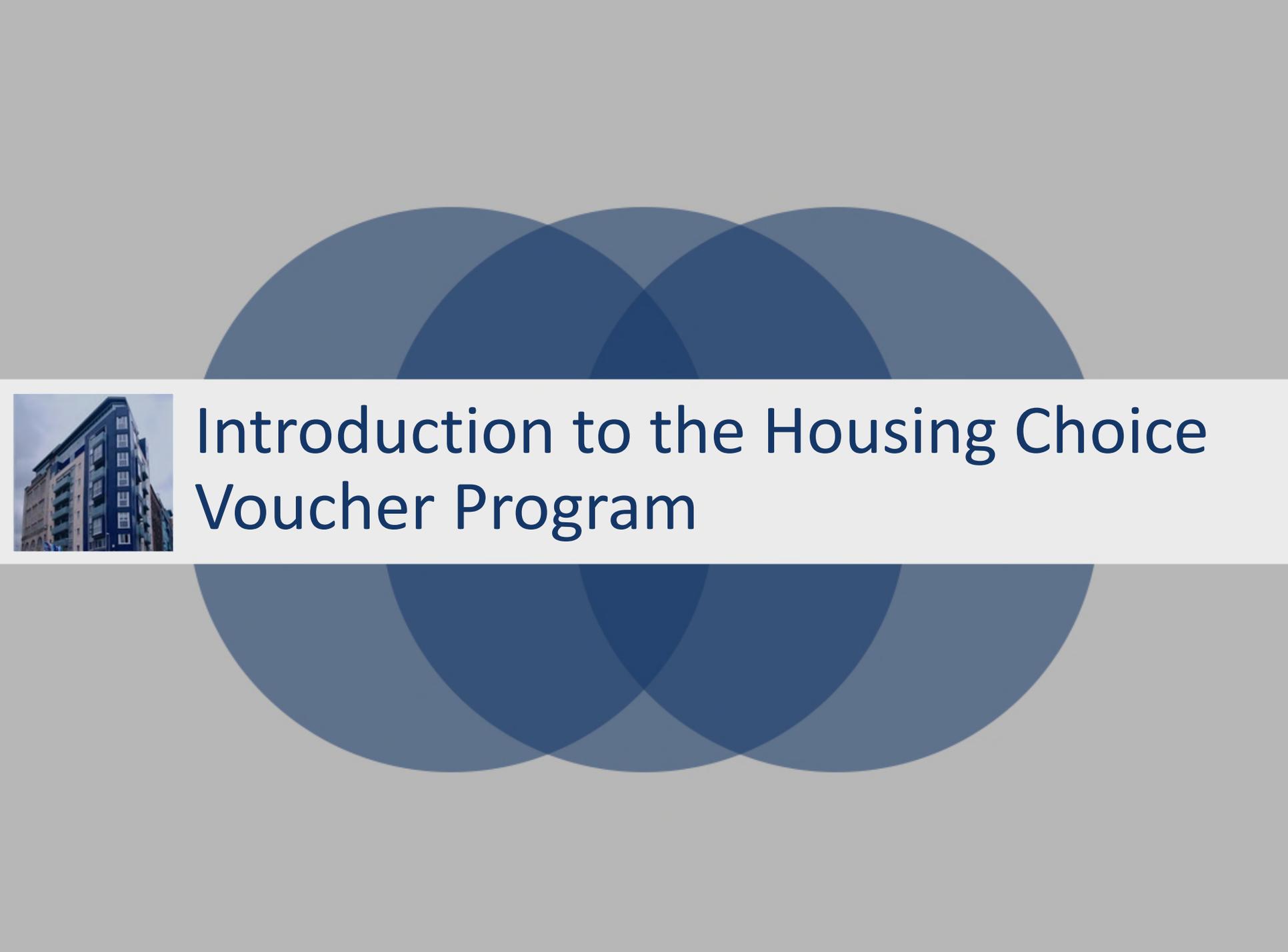
Session 3: HCV & HCV-Related Programs

- Introduction to the Housing Choice Voucher Program
- Funding the HCV Program
- HAP Funding and Restricted Net Position
- Administrative Fees and Unrestricted Net Position
- Other HAP / RNP Activity
- Comparing FDS vs VMS RNP Reporting
- Administrative Fees
- Accounting and Reporting of Administrative Fees
- Unrestricted Net Position – Administrative Fee Account



- Family Self-Sufficiency Program
- Portability Provision
- Reporting of HCV Program on the SEFA





Introduction to the Housing Choice Voucher Program



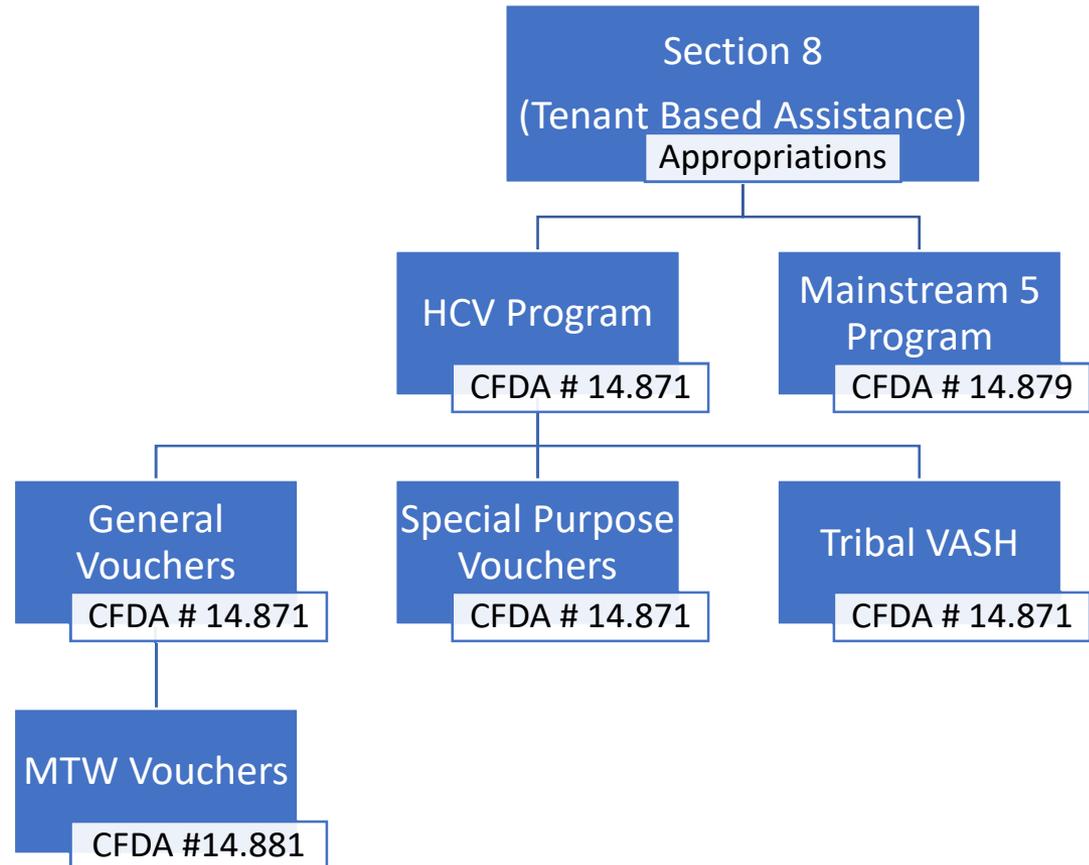
- The Housing Choice Voucher (HCV) Program
 - Established in 1974
 - Is the largest federal low-income housing assistance program
 - Since 1998, program expenditures (i.e., outlays) account for 47% to 55% of HUD's overall budget.
 - Is a tenant-based program (i.e., the program provides vouchers that are attached to the family who use these vouchers to help pay the cost of renting housing on the open market)
 - Is administered by 2,181 PHAs as of June 30, 2018
 - 2.5 million vouchers are authorized as of June 30, 2018 (and growing)
 - ◆ In contrast, the public housing program has roughly 1.1 million units and the portfolio is shrinking.



Introduction to the HCV Program

Appropriations vs CFDA #s

- In the same appropriations section, Congress funds both the HCV program (general and special purpose vouchers) and the Mainstream 5 program.
- The Mainstream 5 program is reported under CFDA #14.879.
- Currently all special purpose vouchers are reported under CFDA #14.871 (historically not always the case).
- Tribal VASH is only awarded to Tribal Designated Housing Entities (TDHEs), not PHAs.



General Rules

- HUD and other decision makers have a need for timely and accurate HCV financial data.
- The Financial Data Schedule (FDS) and the data contained in the Voucher Management System (VMS) are two important sources of this financial information.
- The general rule is the information reported in each system should be reported under GAAP. However:
 - GAAP departures exists
 - VMS now has a focus more aligned to cash basis accounting
 - Each system has some reporting nuances



- The selected accounts / line items presented are based on feedback received from:
 - HCV program office: Quality Assurance Division
 - HCV program office: Financial Management Center
 - REAC: FASS-PH



HUD Monitoring

March 31, 2016 PHA						
VMS Reporting				FDS Reporting		
Month	Total HAP Expense	RNP	UNP	FDs Line and Description	Amount	
4/1/2015	\$350,000	\$150,000	\$80,000			
5/1/2015	\$335,000	\$155,000	\$82,000	97300 HAP Expense	\$4,105,000	
6/1/2015	\$335,000	\$154,000	\$79,000			
7/1/2015	\$330,000	\$158,000	\$76,000			
8/1/2015	\$325,000	\$170,000	\$75,000	511.4 RNP	\$170,000	
9/1/2015	\$345,000	\$160,000	\$68,000	11180 HAP Equity	\$170,000	
10/1/2015	\$345,000	\$158,000	\$65,000			
11/1/2015	\$340,000	\$163,000	\$70,000			
12/1/2015	\$335,000	\$165,000	\$71,000	512.4 UNP	\$73,000	
1/1/2016	\$355,000	\$161,000	\$69,000	11170 Admin. Fee Equi	\$80,000	
2/1/2016	\$365,000	\$165,000	\$72,000			
3/1/2016	\$345,000	\$170,000	\$73,000			
Total	\$4,105,000	N/A	N/A			



- The HCV program has two main sub-accounts
 - Restricted Net Position / HAP Equity – For all activity around HAP funding and uses of HAP funds
 - Unrestricted Net Position / Administrative Fee Equity – For all activity around the receipt and use of administrative fees and other non-HAP funding
- Two memo accounts exist on the FDS HCV income statement to distinguish the HAP balances from administrative fee balances:
 - FDS Line 11170 – Administrative Fee Equity (also referred to as UNP)
 - FDS Line 11180 – HAP Equity (also referred to as RNP)
- All HCV transactions will affect either one or both sub-accounts



FDS Line - 11180 HAP Equity

#	FDS Line	FDS Line Description	FDS Line (Pre-populated)
1	11180-001	Housing Assistance Payments Equity - Beginning Balance	Prior year Line 11180-003
2	11180-010	Housing Assistance Payment Revenues	FDS Line 70600-010
3	11180-015	Fraud Recovery Revenue	FDS Line 71400-010
4	11180-020	Other Revenue	PHA Entered
5	11180-021	Comment for Other Revenue	PHA Entered
6	11180-025	Investment Income	FDS Line 71100-010
7	11180-030	<i>Total Housing Assistance Payment Revenues</i>	<i>Sum of Lines 2-4</i>
8	11180-080	Housing Assistance Payments	FDS Line 97300
9	11180-090	Other Expenses	PHA Entered
10	11180-091	Comment for Other Expense	PHA Entered
11	11180-100	<i>Total Housing Assistance Payment Expenses</i>	<i>Sum of Lines 8 and 9</i>
12	11180-002	Net Housing Assistance Payments	Line 7 minus Line 11
13	11180-003	Housing Assistance Payments Equity - Ending Balance	Line 1 plus line 12



FDS Line 11170 - Administrative Fee Equity

#	FDS Line	FDS Line Description	FDS Line (Pre-populated)
1	11170-001	Administrative Fee Equity - Beginning Balance	Prior year Line 11170-003
2	11170-010	Administrative Fee Revenue	FDS Line 70600-020
3	11170-020	Hard to House Fee Revenue	FDS Line 70600-030
4	11170-021	FSS Coordinator Grant	FDS Line 70600-031
5	11170-030	Audit Costs	FDS Line 70600-040
6	11170-040	Investment Income	FDS Line 71100-020 or 72000-020
7	11170-045	Fraud Recovery Revenue	FDS Line 71400-020
8	11170-050	Other Revenue	PHA Entered
9	11170-051	Comment for Other Revenue	PHA Entered
10	11170-060	<i>Total Admin Fee Revenues</i>	<i>Sum of Lines 2 - 8</i>
11	11170-080	Total Operating Expenses	FDS Line 96900
12	11170-090	Depreciation	FDS Line 97400
13	11170-095	Housing Assistance Payment Portability In	FDS Line 97350
14	11170-100	Other Expenses	PHA Entered
15	11170-101	Comment for Other Expense	PHA Entered
16	11170-110	<i>Total Expenses</i>	<i>Sum of Lines 11 - 14</i>
17	11170-002	Net Administrative Fee	Line 10 minus Line 16
18	11170-003	Administrative Fee Equity- Ending Balance	Line 1 plus line 17
19	11170-005	Pre-2004 Administrative Fee Reserves	PHA Entered
20	11170-006	Post-2003 Administrative Fee Reserves	PHA Entered



HCV Program Equity: Use of Other Revenue and Expense Accounts

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- A limited number of memo accounts associated with FDS lines 11170 & 11180 will need to be entered manually.
- Generally made up of the following:
 - FDS Line 70800 – Other Government Grants
 - FDS Line 71500 – Other Revenue
 - FDS Line 11040 – Prior Period Adjustments
 - Any reclassification of HAP or Administrative Fee Equity
 - Transfer of Administrative Fee Equity to pay for HAP Equity
- PHAs need to ensure that the Other Revenue and Other Expense detail lines are properly completed with explanatory comments.





Funding the HCV Program



- Congress has created two separate funding streams to cover the cost of the HCV program.
 - Administrative fees to cover PHA costs of administering the program
 - HAP to cover the costs of rental assistance payments (i.e., payment to landlords)
 - Appropriation language ties the funding and formulas to a calendar-year basis
- 99% of all available funds for the program are from these two appropriations line items (almost no program income).
- Renewal / ongoing funding is provided via formulas.
- New voucher increments are provided via a competitive grant (NOFA) and then becomes part of the formula in subsequent years.



2018 Appropriations

#	Program	Purpose	Amount
1	HCV Program – HAP	Renewal (Ongoing) Funding	\$19,600,000,000
2	HCV Program – Administrative Fees	Ongoing and New Vouchers	\$1,760,000,000
3	Tenant Protection Vouchers	New Vouchers (HAP)	\$85,000,000
4	Veterans Affairs Supportive Housing	New Vouchers (HAP)	\$40,000,000
5	Family Unification Program	New Vouchers (HAP)	\$20,000,000
6	Mainstream 5 Program	Ongoing HAP & Admin. Fees	\$505,000,000
7	Tribal HUD-VASH	Ongoing HAP & Admin. Fees	\$5,000,000
8	Total Available CY 2018 Appropriations		\$22,015,000,000

- **HCV Program – HAP:** includes \$75 million set aside for prevention of terminations and other unforeseen circumstance
- **HCV Program – Administrative Fee:** includes \$30 million set aside for special fees and to cover extraordinary costs



Introduction to the HCV Program Portfolio Snapshot

#	Vouchers Leased - June 2018	Count	% of Total
1	<u>General Vouchers</u>		
2	General Vouchers	1,526,830	68.6%
3	Project-based Vouchers, (includes RAD)	227,738	10.2%
4	MTW Vouchers	200,967	9.0%
5	Portability Out Provision	51,005	2.3%
6	Total General Vouchers	2,006,540	90.2%
7	<u>Special Purpose Vouchers</u>		
8	Veterans Affairs Supportive Housing Vouchers	73,198	3.3%
9	Tenant Protection Vouchers	63,324	2.8%
10	Non-Elderly Disabled Vouchers	44,109	2.0%
11	Family Unification Vouchers	17,036	0.8%
12	Homeownership Vouchers	10,357	0.5%
13	Mainstream 1-Year Vouchers	5,596	0.3%
14	Litigation Vouchers	3,600	0.2%
15	DHAP to HCV Conversion Vouchers	645	0.0%
16	Total Special Purpose Vouchers	217,865	9.8%
17	Total HCV Program Vouchers	2,224,405	100.0%
18	Total Mainstream 5 Vouchers	13,756	





HAP Funding & Restricted Net Position



REAC Financial Review #01

Instructions: You are a FASS-PH analyst at PIH's Real Estate Assessment Center performing a review of a PHA's submission. The PHA reported the following amounts in their HCV program and provided the following comments:

Operating Transfer In (FDS line 10010)	\$20,000
Operating Transfer Out (FDS line 10020)	\$15,000
Equity Transfer (FDS line 11040_070)	\$90,000



Remember – operating transfer is subject to restrictions. PHAs should use line 973 to fund PBV units in business activities and blended component units



REAC Financial Review #01, cont'd

- The PHA provided the following comments:
 - This “Operating Transfer In” of \$20,000 was from our COCC. Our HAP expense over the course of the last few months has dramatically increased, HUD is aware of the issue and is in the processing of releasing additional HUD-held program reserves as our current disbursement schedule does not cover the increase.
 - The \$15,000 “Operating Transfer Out” are HAP payments made to our non-profit, which is reported as a blended component unit. The non-profit was part of the public housing program but was converted to project-based voucher development through a RAD conversion.
 - The \$90,000 of “Equity Transfer” was provided by our business activity in order to increase the number of families served by the voucher program due to insufficient HAP funds that are provided by Congressional funding. Our PHA is authorized 1,000 vouchers but we are now only funded enough to lease 950 vouchers.
- **Question:** Assume the comments are factual. What transfers would seem to indicate non-compliance or improper reporting and why?



Annual Budget Authority (ABA)

- **Annual Budget Authority** is the term used in the HCV program to describe the amount of HAP funds the PHA will be awarded from the HAP renewal line item of the appropriations for any given year.
- **General Formula:**
 - Eligible HAP Expense for Prior Calendar Year as Reported in VMS
 - Multiplied by Inflation Factor
 - Multiplied by Proration
 - Congressional authority for HUD to make small offsets/reallocations from/to PHAs to reach a minimum proration factor of 99.5%



Eligible Use of HAP Funds

- HAP can only be used for eligible program participants for rental assistance payments, defined as:
 - Housing assistance payments
 - Family self-sufficiency escrow payments
 - Utility reimbursements
- For FDS reporting, all three activities are reported as HAP expense (FDS line 97300).
- Eligible uses of HAP funds applies to both:
 - PHA-held program reserves (restricted net position (RNP))
 - HUD-held program reserves



Eligible Use of HAP Funds

- HAP funds can be used to pay back HAP payments made by another program (COCC / administrative fees), as a result of time needed by HUD to process and release additional HUD held program reserves for the PHA.
- Funds cannot **under any circumstances** be used for any other purpose, such as:
 - To cover administrative expenses
 - Loaned, advanced, or transferred to another program or component unit
- HAP funding may not be used for prior calendar year costs.
- Use of HAP for any purpose other than eligible HAP needs is a violation of law, and such illegal uses or transfers may result in sanctions and possible declaration of breach of the ACC.



Prohibition on Augmentation of HAP Funds

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- No other funds besides **annual budget authority, program reserves, restricted net position** and a **prior fiscal year unrestricted net assets** can be used to make housing assistance payments (HAP).
- Examples of prohibited funds include:
 - HOME funds, proceeds from PH disposition, COCC funds, state funds, and donations
- Exception – With HUD approval, PHAs may use prohibited funds to prevent termination of assistance to current program participants, if:
 - The PHA has taken reasonable cost-saving measures
 - Is in a HUD-confirmed shortfall position
 - Needs additional funds to prevent the termination of current participants
- HUD's HOME Investment Partnerships funds may never be used to fund the HCV program.
- Shortfall funds may not be used to increase leasing.

Per Notice PIH 2013-12: Guidance on the Use of Outside Sources of Funds in the Housing Choice Voucher (HCV) Program



Cash Management and HUD-held Program Reserves

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- HUD is required to disburse HAP funding to PHAs under the Cash Management rules of the U.S. Treasury.
 - 100% of ABA is no longer automatically disbursed to PHAs
 - HUD's disbursements of ABA is based on PHA need minus known PHA-held program reserves.
 - Undisbursed HAP funds accumulates with previous years' undisbursed HAP funds (if any) and remains available for future HAP payments or Congressional offset/reallocation.
 - Undisbursed HAP funds are termed **HUD-held program reserves**
 - HUD-held program reserves are not reported on the PHA's balance sheet or on the FDS.
 - ◆ Some PHAs will provide a note in their financial statements as to the amount of HUD-held program reserves.



Cash Management HAP Funding Model

	A	B	C	D	E	F	G	H	
1	2016 Budget Authority			\$1,260,000					
2	Program Reserve			\$100,000					
3	NRP - 1/1/2015			\$50,000					
4									
	Actual HUD HAP Disbursement in VMS								
				Actual HAP Expenses (VMS)		Net HAP Activity	Fraud Recovery	NRP Balance	Program Reserve
5	Line #	Period	in VMS	(VMS)	Activity	Recovery	Balance	Reserve	
6	1	Jan-15	\$50,000	\$100,000	(\$50,000)	\$2,000	\$2,000	\$1,310,000	
7	2	Feb-15	\$100,000	\$100,000	\$0	\$0	\$2,000	\$1,210,000	
8	3	Mar-15	\$100,000	\$90,000	\$10,000	\$2,000	\$14,000	\$1,110,000	
9	4	Apr-15	\$90,000	\$100,000	(\$10,000)	\$3,000	\$7,000	\$1,020,000	
10	5	May-15	\$100,000	\$110,000	(\$10,000)	\$0	(\$3,000)	\$920,000	
11	6	Jun-15	\$110,000	\$100,000	\$10,000	\$0	\$7,000	\$810,000	
12	7	Jul-15	\$100,000	\$95,000	\$5,000	\$2,000	\$14,000	\$710,000	
13	8	Aug-15	\$125,000	\$115,000	\$10,000	\$1,000	\$25,000	\$585,000	
14	9	Sep-15	\$115,000	\$125,000	(\$10,000)	\$300	\$15,300	\$470,000	
15	10	Oct-15	\$110,000	\$110,000	\$0	\$0	\$15,300	\$360,000	
16	11	Nov-15	\$110,000	\$100,000	\$10,000	\$2,000	\$27,300	\$250,000	
17	12	Dec-15	\$100,000	\$100,000	\$0		\$27,300	\$150,000	
18	Totals		\$1,210,000	\$1,245,000	(\$35,000)	\$12,300	\$27,300	\$150,000	

Unearned, undisbursed ABA does not become program reserves until the end of the calendar year but are still available for the PHA for HAP needs, other than to cover the cost of over leasing during the calendar year. For illustration purposes, the table does not make that distinction.



Disbursement Schedules

- HUD provides each PHA a HAP disbursement schedule that shows the amount of HAP funds that will be made available to the PHA on the first of every month.
- The number of months of disbursements shown on the schedule varies due to the U.S. budget process and amount of funds made available to HUD from OMB.
- Based on current methodology, cash disbursed would only equal PHA need by coincidence.
- HCV program and HUD CFO continue to have open OIG findings around non-compliance with cash management.



HAP Funding Revenue Recognition (GASB 33)

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- Revenue should be recognized in F/S when:
 - Measurable
 - Probable of collection
- Eligibility Requirements for Voluntary Nonexchange Transactions:
 - Criterion 1: Required Characteristics of Recipients
 - Criterion 2: Contingencies
 - Criterion 3: Time Requirements
 - Criterion 4: Reimbursements
- PHA must have an enforceable legal claim to resources (need).
- Funds must be available as defined by GASB Statement No. 33 as collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (additional modified accrual criteria).



Application of Revenue Recognition Criteria HAP Disbursement Equals or Greater than Need

- HAP revenue will equal actual HAP disbursements received by the PHA.

HUD HAP Disbursement Equal to or Greater Than PHA HAP Need			
FDS Line Item		Debit	Credit
113	Cash - Other Restricted	\$200,000	
70600-010	HUD PHA Operating Grants - HAP		\$200,000

- There will be no accounts payable to HUD if the PHA received disbursements from HUD greater than actual HAP expense.
 - In this case, HUD disbursements will equal HAP revenue for the year.
 - The difference (unspent HAP funds) will accrue to the PHA's RNP / HAP Equity account.



Application of Revenue Recognition Criteria HAP Disbursement Less than Need

- In the case where a PHA's HAP need exceeds disbursements from HUD (i.e., PHA needs more HAP funding than what was disbursed):
 - HAP revenue for the year would equal HUD HAP disbursements plus the amount of need not funded less any amounts in the PHA's RNP / HAP equity account
 - Limited to the PHA's HUD held program reserves

HUD HAP Disbursement Less Than PHA HAP Need

FDS Line Item		Debit	Credit
122	Accounts Receivable - HUD Other Projects	\$5,000	
70600-010	HUD PHA Operating Grants - HAP		\$5,000



- For FDS reporting, unspent HAP funds are considered restricted as the funds are:
 - **Contractually and legally unavailable** for use in the day-to-day operations of the program and
 - The restrictions on the use of the funds is **imposed by the source of the funding** and not the PHA
- Unspent HAP Funds should be reported in FDS Lines
 - Other Restricted Cash (FDS line 113)
 - Restricted Investments (FDS line 132)



Relationship of RNP – HAP Equity - Cash

Relationship of Restricted Net Position - HAP Equity - Restricted Cash				
Description	Amount		Balance Sheet	FDS Line
Beginning PHA-held Program Reserves	\$50,000		Cash	113, 511.4, 11180
HUD HAP Disbursements		\$1,000,000	Cash	113, 70600-010
FSS Escrow Forfeitures		\$5,000	Cash	113, 71500
Fraud Recovery		\$10,000	Cash & Receivable	128, 113, 71400-010
HAP Expense		<u>-\$975,000</u>	Cash	113, 97300
Net HAP		\$40,000		11180-002
Ending PHA-held Program Reserves	\$90,000		Cash	113, 511.4, 11180

- Except in very unusual situations, RNP (511.4) and HAP equity (11180) should be the same.
- Except for the amount of fraud recovery booked as revenue via a repayment agreement and not yet collected but still collectable, RNP and HAP equity should be fully supported by unspent cash.



HAP Expense

HAP Expense

FDS Reporting

- FDS line 97300 HAP Expense and 97350 HAP Portability-In
- The FDS lines represents housing assistance payments accrued to the owners of dwelling units leased to eligible families (regardless of whether it is paid)
- Also included in both FDS lines are HAP-related expenses such as contributions to FSS escrow accounts, utility reimbursements, and mortgage payments paid using HAP subsidy for a HCV homeownership program

VMS Reporting

- All HAP expense amounts for the various voucher categories are to be reported in these voucher categories as of the first day of the month (initial check run for that month)
- HAP expenses are entered for the month for which the payment is applicable, regardless of the month in which it is actually paid
- HAP expenses are only entered after the payment has been made (i.e., cash basis)
- There is only one separate line for reporting after the first of the month HAP expenses



Restricted Net Position – FDS Reporting

Restricted Net Position – FDS Reporting

FDS – RNP (FDS line 511.4)

- Total restricted current and long-term assets minus total restricted current and long-term liabilities (Typically associated with unspent HAP)
- Besides HAP activity, any other GAAP restricted items are reported in this account:
 - Debt issued for renovation of administrative building,
 - Certain homeownership activity, and
 - Net Pension and OPEB asset (some states require this asset to be reported as restricted)
- Cannot be negative
- Reported on an accrual basis (i.e., includes HAP funds earned but not received)

HAP Equity (FDS line 11180)

- Includes only HAP equity activity (i.e., other non-HAP restricted activity is reported in FDS line 11170)
- Can be negative if PHA has used all funding and is no longer paying landlords

Notes

- Provide comments and notes to describe unusual transactions in reporting



Restricted Net Position – VMS Reporting

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Restricted Net Position – VMS Reporting

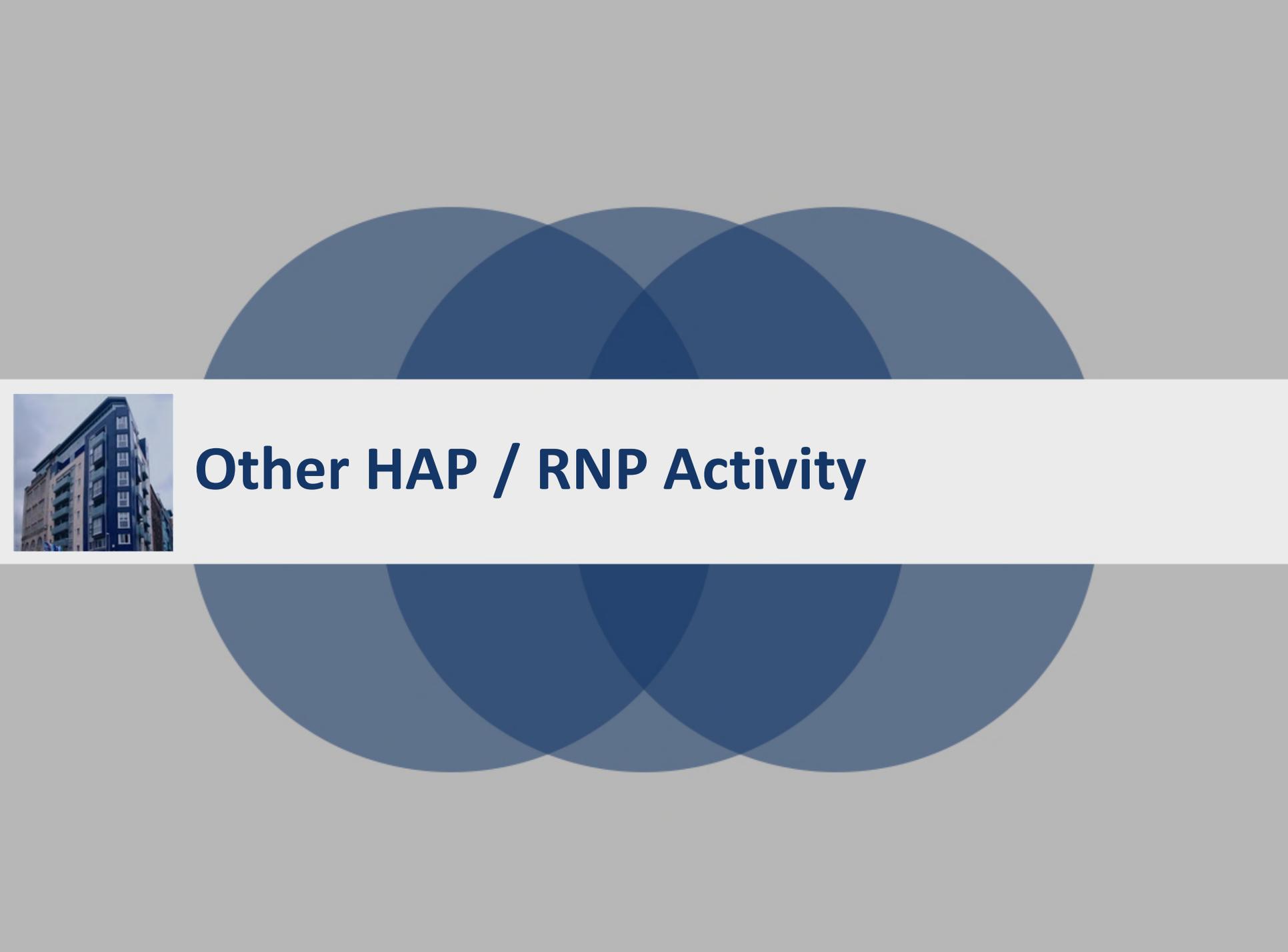
VMS Reporting

- Report the cumulative sum of total HAP revenues received minus the total cumulative HAP expenses for eligible unit months that have been paid
 - Beginning RNP plus
 - Total HAP revenue (as defined as total HUD HAP disbursements, portion of fraud recovery revenue collected in cash, FSS forfeitures and other allowable sources of revenue (PIH Notice 2013-28)) minus
 - Eligible HAP paid

Notes

- Does not include Mainstream 5 or port-in activity
- Does not include interest earned on RNP balances
- Can be zero or negative
 - A negative RNP balances in the VMS indicates that an additional HUD disbursement may be needed to support HAP expenses





Other HAP / RNP Activity

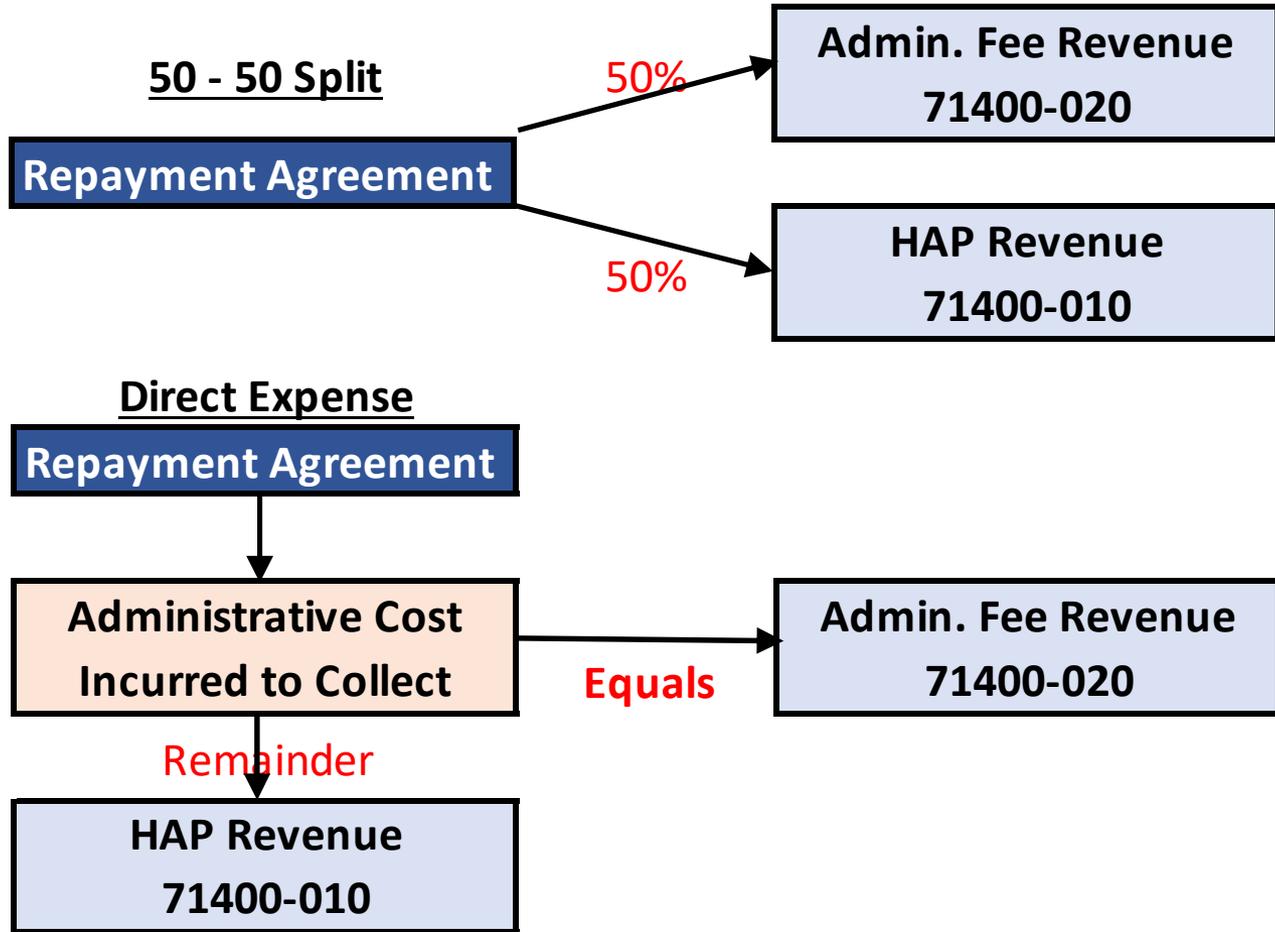


Fraud Recovery

- 24 CFR Part 792 – Public Housing Agency Section 8 Fraud Recoveries
 - Allows a PHA to retain a portion of any funds collected from a family that resulted from the overpayment of HAP by the PHA due to fraud committed by the family
 - The regulation allows two methods to determine the amount of funds a PHA can keep.
 - ◆ 50 – 50 split method
 - ◆ Direct expense method
 - PHA does not remit funds back to HUD, the funds are classified as either HAP equity (RNP) or administrative fee equity (UNP).



Fraud Recovery Methods



Accounting for Fraud Recovery

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Fraud Recovery – FDS Reporting

Income Statement

- Report the full amount of fraud recoveries earned by the PHA (total repayment agreement entered into during the year) (FDS line 71400 Fraud Recovery)
- Split the amount between the Administrative (UNP) and HAP (RNP) accounts using appropriate detail accounts (71400-010 HAP and 71400-020 Admin Fee)

Balance Sheet

- Report the full amount of the receivable from program participants who committed fraud or misrepresentation and now owe additional rent for prior periods or retroactive rent (FDS line 128 Fraud Recovery Receivable)
- Report the reasonably anticipated loss (not likely to be collected) inherent in the fraud recovery account receivable balance (FDS line 128.1 Allowance for Doubtful Accounts – Fraud and 96600 Bad Debt – Other)

Notes

- Through the use of the other revenue and expense lines, adjust the Administrative Fee and HAP Equity Memo Accounts (FDS line 11170 and 11180) for the “split” to ensure that bad debt expense is appropriately allocated to each account

Booking Fraud Recovery Accounts Receivable (method 2)

- It may be simpler to just net the amounts and record revenue as received due to the uncertainty of receipt of fraud funds.

To record fraud revenue:			
Description		Debit	Credit
128 - Accounts Receivable - Fraud Recovery		\$2,000	
	128.1 - Allowance for Doubtful Accounts - Fraud		\$2,000
Record Fraud A/R			
111 - Unrestricted Cash		\$500	
113 Cash Restricted		\$500	
	128 - Accounts Receivable Fraud Recovery		\$1,000
128.1 Allowance for Uncollectible Accounts - Fraud		\$1,000	
	71400-010 - Fraud Recovery Revenue HAP		\$500
	71400-020 - Fraud Recovery Revenue Admin		\$500



Fraud Recovery – FDS Reporting

Record Fraud Recovery

FDS Line Item		Debit	Credit
128	Accounts Receivable - Fraud Recovery	\$20,000	
71400-010	Fraud Recovery Revenue - Admin Fees		\$10,000
71400-020	Fraud Recovery Revenue - HAP		\$10,000

Allowance for Doubtful Accounts

FDS Line Item		Debit	Credit
96600	Bad Debt Expense - Other	\$18,000	
128.1	Allowance for Doubt Accounts - Fraud		\$18,000



Fraud Recovery – Example Adjustment to Memo Accounts

Line Item 11170 Details (readonly mode)		
Line Item #	Description	Value
*11170-001	Administrative Fee Equity - Beginning Balance	\$19074
11170-010	Administrative Fee Revenue	\$2040144
11170-020	Hard to House Fee Revenue	\$0
11170-021	FSS Coordinator Grant	\$101287
11170-030	Audit Costs	\$0
11170-040	Investment Income	\$9
11170-045	Fraud Recovery Revenue	\$56782
*11170-050	Other Revenue	\$0
11170-051	Comment for Other Revenue	
11170-060	Total Admin Fee Revenues	\$2198222
11170-080	Total Operating Expenses	\$2095694
11170-090	Depreciation	\$0
11170-095	Housing Assistance Payment Portability In	\$0
*11170-100	Other Expenses	\$0
11170-101	Comment for Other Expense	
11170-110	Total Expenses	\$2095694
11170-002	Net Administrative Fee	\$102528
11170-003	Administrative Fee Equity- Ending Balance	\$121602
*11170-005	Pre-2004 Administrative Fee Reserves	\$0
*11170-006	Post-2003 Administrative Fee Reserves	\$121602

- PHA uses the 50 / 50 split method
- PHA reported \$55,650 in bad debt expense related to fraud recovery

- PHA should have reported \$27,825 as Other Revenue for a bad debt expense; adjustment would increase Admin. Fee Equity
- A similar adjustment to the Other Expense account should have been made to account 11180 HAP Equity (not shown)

- Total expense, includes 100% of bad debt expense and therefore the Admin. Fee Equity balance is reduced by the full \$55,650



Fraud Recovery – VMS Reporting

Fraud Recovery – VMS Reporting

VMS Reporting

- Report total dollar amount of cash collected as fraud recoveries during the month that is applied to the RNP account

Notes

- Fraud recovery amounts should not be netted / deducted from HAP expenses
- RNP reported in VMS should include the amount associated with the cash collected (not the amount associated with amount earned and associated bad debt expense as under FDS reporting)



Interest Income on Unspent HAP (RNP)

Interest Income on RNP

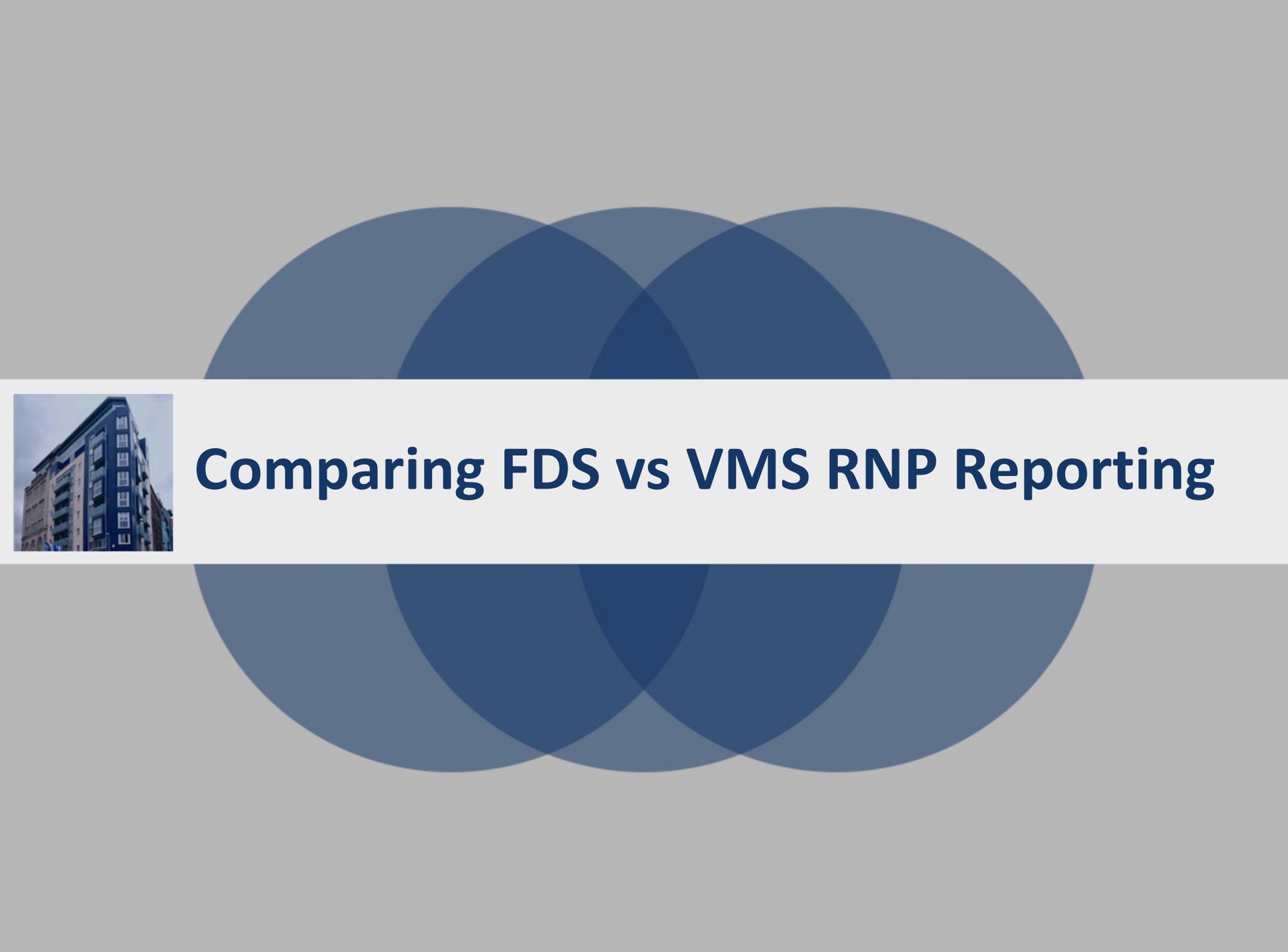
FDS Reporting

- Report the first \$500 earned in the calendar year on:
 - FDS line 72000-020 Investment Income - Restricted - Administrative Fee or
 - FDS line 71100-020 Investment Income - Unrestricted - Administrative Fee
 - Do not use FDS lines 71100-010 or 72000-010 as these accounts incorrectly credits the interest to RNP
- Interest amounts earned on RNP above \$500 must be remitted to the Treasury and is not considered revenue to the PHA and should be reported in FDS line 115 Cash - Restricted for Payment of a Current Liability and FDS line 331 Accounts Payable – HUD PHA Programs until the interest earned is actually remitted to Treasury

VMS Reporting

- Report the amount of interest earned on the RNP funds in the Interest Earned or Other Income Earned this Month from the Investment of HAP Funds and Restricted Net Position line
- The first \$500 earned per calendar year is credited to UNP and the remainder is returned to Treasury. Therefore, RNP is not affected by interest earned





Comparing FDS vs VMS RNP Reporting



REAC Financial Review #02

Instructions: You are a FASS-PH analyst at PIH's Real Estate Assessment Center performing a review of a PHA's financial submission. The PHA under review has a June 30th fiscal year end with annual budget authority of \$2.5 million. The PHA reported the following HCV balances on their FDS submission to REAC.

- Restricted Net Position (FDS line 511.4) \$0
- Housing Assistance Payment Equity (FDS Line 11180) -\$65,194

Question: Is this a reporting problem and why?



UNP/RNP Reporting Example #1

- Small Net Income (any fiscal year end)
 - PHA starts the year with:
 - ◆ RNP of \$20,000 (assumes fully supported by cash)
 - ◆ UNP of \$10,000 (assumes fully supported by cash)
 - ◆ HUD Held Reserves of \$40,000
 - Net HAP activity for the year is a profit of \$5,000
 - Net Admin Fee activity for the year is \$0 (breakeven)

Fiscal Year End Reporting			
FDS Account	Balance	VMS Account	Balance
FDS – Restricted Net Position (511.4)	\$25,000		
FDS – HAP Equity (11180)	\$25,000	VMS – RNP	\$25,000
FDS – UNP (512.4)	\$10,000	VMS – UNP	\$10,000



UNP/RNP Reporting Example #2

- Small Net Loss Absorbed by RNP (any fiscal year end)
 - PHA starts the year with:
 - ◆ RNP of \$20,000 (assumes fully supported by cash)
 - ◆ UNP of \$10,000 (assumes fully supported by cash)
 - ◆ HUD Held Reserves of \$40,000
 - Net HAP activity for the year is a loss of \$15,000
 - Net Admin Fee activity for the year is \$0 (breakeven)

Fiscal Year End Reporting			
FDS Account	Balance	VMS Account	Balance
FDS – Restricted Net Position (511.4)	\$5,000		
FDS – HAP Equity (11180)	\$5,000	VMS – RNP	\$5,000
FDS – UNP (512.4)	\$10,000	VMS – UNP	\$10,000



UNP/RNP Reporting Example #3

- Net Loss to be Paid by HUD Held Reserves (any fiscal year end)
 - PHA starts the year with:
 - ◆ RNP of \$20,000 (assumes fully supported by cash)
 - ◆ UNP of \$10,000 (assumes fully supported by cash)
 - ◆ HUD Held Reserves of \$40,000
 - Net HAP activity for the year is a loss of \$35,000
 - Net Admin Fee activity for the year is \$0 (breakeven)

Fiscal Year End Reporting			
FDS Account	Balance	VMS Account	Balance
FDS – Restricted Net Position (511.4)	\$0		
FDS – HAP Equity (11180)	\$0	VMS – RNP	(\$15,000)
FDS – UNP (512.4)	\$10,000	VMS – UNP	\$10,000

1. PHA pays HAP using UNP and other eligible sources of funding (e.g., COCC)
2. HUD-held reserves will be reduced by \$15,000 (\$35,000 loss minus \$20,000 RNP balance)
3. Under cash management, PHAs should report negative RNP under VMS to reflect the need to have further funds disbursed (up to those available funds), which is different than when HUD disbursed the full annual budget authority



Covering Deficits

- PHAs should be requesting HAP funds from the FMC to cover any deficit ahead of time and not wait for HUD to provide additional funds as part of the reconciliation process.
- Deficits will be covered through additional release of HAP funds:
 - Annual Budget Authority
 - HUD Held Reserves
 - Set-aside Funds
 - Cost Saving Measures
- The use of UNP to cover HAP deficits is optional.

The previous examples are the reporting possibilities that would exist if the PHA is managing its HAP costs, requesting HAPs funds ahead of time, and applying for set-aside funding if needed.





Administrative Fees



Administrative Fees

- PHAs are paid a fee by HUD to administer the HCV program.
- Administrative fees are not subject to cash management as the law requires each PHA to be provided a fee for each voucher that is under HAP contract as of the first day of each month.



Administrative Fees

- Formula:

- Administrative fees will be paid based on units leased as of the first day of each month per the Voucher Management System (VMS).
- Two administrative fee rates are provided for each public housing authority (PHA). The first rate, Column A, applies to the first 7,200 unit months leased in the calendar year. The second rate, Column B, applies to all remaining unit months leased in the calendar year, subject to proration.

PHA Code	2019 A Rate	2019 B Rate
AK901	\$98.76	\$92.18
ID005	\$67.21	\$62.73
ID013	\$83.52	\$77.95
ID016	\$83.52	\$77.95
ID021	\$83.52	\$77.95

ID013: 1,000 vouchers leased & 78% proration
12,000 UMLs

$\$601,344 = \$83.52 * 7,200$ (A rate calculation)

$\underline{\$374,160} = \$77.95 * (12,000 - 7,200)$ (B rate calculation)

$\$975,504 = \text{Total Fee Earned}$

$\$760,893 = \text{Total Prorated Fee Earned (78\%)}$



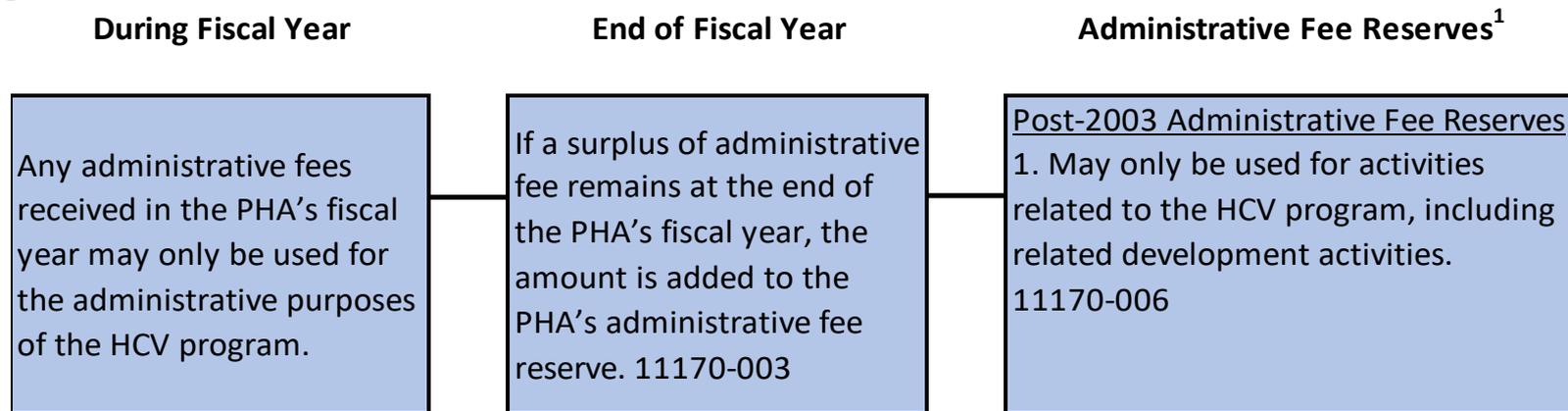
Administrative Fee Rates

State	2017		2018			2019		
	A Rate	B Rate	A Rate	B Rate	% Increase	A Rate	B Rate	% Increase
Alaska (1 PHA)								
Min	\$94.54	\$88.24	\$96.19	\$89.78	1.7%	\$98.76	\$92.18	2.7%
Max	\$94.54	\$88.24	\$96.19	\$89.78	1.7%	\$98.76	\$92.18	2.7%
Average	\$94.54	\$88.24	\$96.19	\$89.78	1.7%	\$98.76	\$92.18	2.7%
Idaho (5 PHAs)								
Min	\$63.82	\$59.56	\$64.88	\$60.56	1.7%	\$67.21	\$62.73	3.6%
Max	\$79.30	\$74.02	\$80.63	\$75.25	1.7%	\$83.52	\$77.95	3.6%
Average	\$74.15	\$69.21	\$74.79	\$69.80	0.9%	\$77.47	\$72.30	3.6%
Oregon (21 PHAs)								
Min	\$73.82	\$68.90	\$75.44	\$70.42	2.2%	\$77.62	\$72.46	2.9%
Max	\$89.76	\$83.78	\$92.96	\$86.77	3.6%	\$96.28	\$89.86	3.6%
Average	\$80.42	\$75.06	\$82.88	\$77.35	3.1%	\$85.64	\$79.93	3.3%
Washington (28 PHAs)								
Min	\$61.12	\$57.05	\$62.83	\$58.64	2.8%	\$65.20	\$60.86	3.8%
Max	\$95.05	\$88.70	\$97.82	\$91.28	2.9%	\$101.38	\$94.60	3.6%
Average	\$80.18	\$74.83	\$82.51	\$77.00	2.9%	\$85.52	\$79.82	3.7%



Eligible Use of Administrative Fees

- Administrative fees may only be used to cover costs incurred to perform a PHA's HCV administrative responsibilities in accordance with HUD regulations and guidance (24 CFR 982.152)



¹ Administrative Fee Reserves Notes:

- PHAs must maintain a single administrative fee reserve account (24 CFR 982.155).
- Pre-2004 Administrative fee should not increase.
- All current administrative fee funding / revenue is attributable to post-2003 administrative fee reserves.

Pre-2004 Administrative Fee Reserves

- May be used for other housing purposes permitted by State and local law.
 - HUD may prohibit use of the funds for certain purposes.
- 11170-005



Eligible Use of Administrative Fees, cont'd

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- Post-2003 Administrative fees reserves may be used to cover shortfalls in HAP if the fee is not needed to cover administrative expenses.
- Non-federal, non-restricted funds may be loaned to the HCV program to cover shortfalls in the administrative fee account. Subsequent administrative fees may be used to reimburse the funding source.
- Once pre-2004 administrative fees have been spent on an eligible activity, FDS line 11170-005 Pre-2004 Administrative Fee Reserves should not be increased.
 - All current administrative fee funding / revenue is attributable to post-2003 administrative fee reserves.



Administrative Fee FDS Lines

- 70600-060 All Other Fees - Homeownership Fees; Special Fees for Multifamily Housing Conversion Actions; Special Fees for Portability; Disaster Fee Adjustments; and One-Time Costs Associated with adoption of Small Area Fair Market Rent

Line Item 70600 Details (readonly mode)		
Line Item #	Description	Value
*70600-010	Housing Assistance Payments	\$21785635
*70600-020	Ongoing Administrative Fees Earned	\$2263630
*70600-030	Hard to House Fee Revenue	\$0
*70600-031	FSS Coordinator Grant	\$0
*70600-040	Actual Independent Public Accountant Audit Costs	\$0
*70600-050	Total Preliminary Fees Earned	\$0
*70600-060	All Other Fees	\$0
70600-070	Admin Fee Calculation Description	
Total Amount		\$24049265

[Back to IncomeStatement](#)





Accounting and Reporting of Administrative Fees



Administrative Fee Revenue Recognition(GASB 33)

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- Same criteria as used for HAP Funding
- For administrative fee, specifically
 - Timing and enforceable legal claim requirement apply because the appropriation language requires that a fee be earned only based on the number of vouchers leased on the **first of the month**.
- PHAs in practice, recognize administrative fees based on disbursements from HUD (cash basis) and then reconcile to actual fees earned at year-end.
 - Book accounts receivable from HUD for fees earned but not received
 - Book unearned revenue for fees received but not earned
 - ◆ Should not be reported as an accounts payable back to HUD



Disbursement Schedules

- Administrative fees are disbursed/available on the first of each month.
- Since HUD does not know the number of vouchers leased on the first of the month, the fee disbursed is based on past months voucher leased reported in VMS.
- Throughout the year, this funding mechanism results in a small overpayment or underpayment of fees each month, but essentially corrects itself in later months, as VMS data for prior month becomes available.
- At the end of the calendar year, when all calendar year VMS data is available and re-certified
 - HUD recalculates a final administrative fee for each PHA, reducing / increasing the administrative fee disbursed as necessary.



Illustration of Vouchers Leased in a Disbursement Schedules

Housing Authority of the Anywhere - Voucher Leased Data						
#	Month	HUD Estimate of Voucher Leased	Actual Vouchers Leased	Difference	% Difference	Payment
1	Apr-17		482			
2	May-17		479			
3	Jun-17		477			
4	Jul-17		476			
5	Aug-17		480			
6	Sep-17		486			
7	Oct-17	482	480	2	0.4%	Over-Payment
8	Nov-17	479	475	4	0.8%	Over-Payment
9	Dec-17	477	490	-13	-2.7%	Under-Payment
10	Jan-18	476	488	-12	-2.4%	Under-Payment
11	Feb-18	480	481	-1	-0.2%	Under-Payment
12	Mar-18	486	484	2	0.4%	Over-Payment
13	Apr-18	480	479	1	0.2%	Over-Payment
14	May-18	475	476	-1	-0.2%	Under-Payment
15	Jun-18	490	489	1	0.2%	Over-Payment
16	Jul-18	488	488	0	0.0%	n/a
17	Aug-18	481	484	-3	-0.6%	Under-Payment
18	Sep-18	484	486	-2	-0.4%	Under-Payment
Total Oct 17 - Sept 18		5,778	5,800	-22	-0.4%	Under-Payment



Administrative Fee Reporting - Underpayment

VMS and Fee Calculation Data					
Data	Vouches Leased on 1st of Month	Fee Rate	Proration	Amount Disbursed	Amount Earned
Older VMS Data	500	\$60	75%	\$22,500	
Actual	550	\$60	75%		\$24,750

FDS Reporting			
FDS Line Item		Debit	Credit
111	Cash - Unrestricted	\$22,500	
122	Accounts Receivable - HUD Other Projects	\$2,250	
70600-020	HUD PHA Operating Grants - Administrative Fees		\$24,750



Administrative Fee Reporting - Overpayment

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VMS and Fee Calculation Data					
Data	Vouches Leased on 1st of Month	Fee Rate	Proration	Amount Disbursed	Amount Earned
Older VMS Data	550	\$60	75%	\$24,750	
Actual	500	\$60	75%		\$22,500

FDS Reporting			
FDS Line Item		Debit	Credit
111	Cash - Unrestricted	\$22,500	
115	Cash Restricted for Payment of Current Liability	\$2,250	
70600-020	HUD PHA Operating Grants - Administrative Fees		\$22,500
342	Unearned Revenue		\$2,250



Unspent Administrative Fees

- For FDS reporting, unspent and earned administrative fees are considered unrestricted as the funds are
 - **Available** for full use in the day-to-day operations of the program, including the payment of HAP (as needed)
- Unspent and earned Administrative fees should be reported in FDS Lines
 - Unrestricted Cash (FDS line 111)
 - Unrestricted Investments (FDS line 131)
- Port-in payments (both HAP and administrative fees from the initial PHA) are not considered restricted and should be reported in the PHA's administrative fee account.



REAC Financial Review #03

- **Instructions:** You are a FASS-PH analyst at PIH's Real Estate Assessment Center performing a review of a PHA's financial submission. The table below provides HUD funding information for the PHA you are reviewing.

FDS Line	FDS Description	Amount	%
70600-010	Housing Assistance Payments	\$3,920,000	91%
70600-020	Ongoing Administrative Fees Earned	\$375,000	9%
70600	Total HUD Revenue	\$4,295,000	100%

- **Other information:** The PHA **reported unearned revenue of \$105,000** and provided the following information.
 - The PHA's beginning HAP equity was zero and the PHA's HAP need / expense for the year was \$3,820,000.
 - The PHA does not operate an FSS program and no repayment agreements were entered into this year or prior years.
 - HUD disbursed \$380,000 in administrative fees in the year but the PHA only earned \$375,000 in fees.

Question: Based on the above information, is there a reporting or problem? Why or why not?





Unrestricted Net Position - Administrative Fee Account



Unrestricted Net Position – FDS Reporting

Unrestricted Net Position – FDS Reporting

FDS – UNP (FDS line 512.4)

- Total unrestricted current and long-term assets minus total unrestricted current and long-term liabilities
- Does not include net investments in capital assets

Administrative Fee Equity (FDS line 11170)

- Should normally equal the sum of unrestricted net position (512.4) and net investments in capital assets (508.4)
- Some GAAP restricted items may be reported in this account, such as:
 - Debt issued for a renovation of administrative building,
 - Certain homeownership activity,
 - Net Pension and OPEB asset and liabilities (some states require this asset to be reported as restricted; but is reported under 11170 for FDS reporting)

Notes

- Can be zero or negative



Unrestricted Net Position – VMS Reporting

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Unrestricted Net Position – VMS Reporting

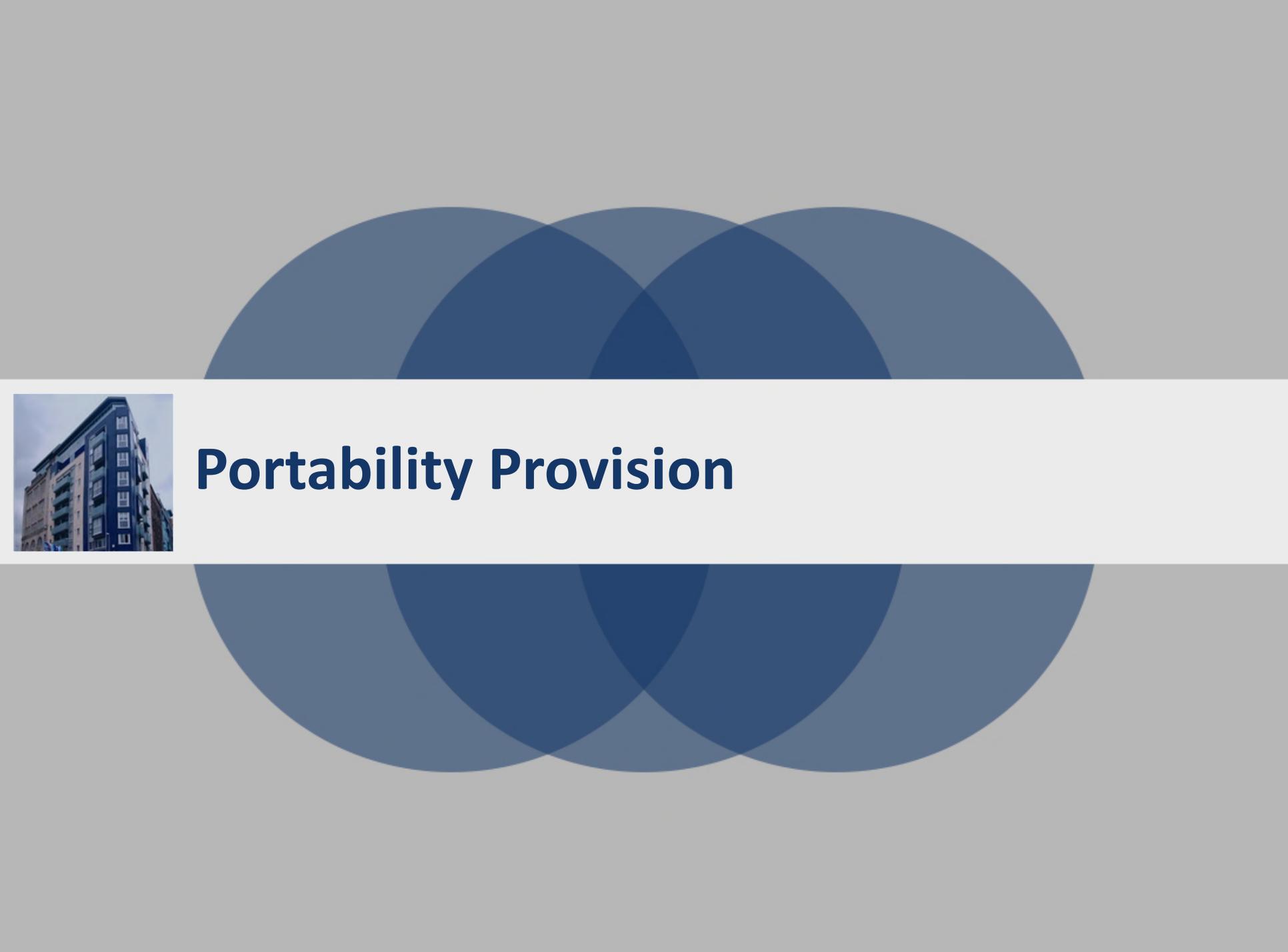
VMS Reporting

- At the end of the PHA's fiscal year, report the difference between the HCV program's asset and liabilities that do not meet the definition of restricted net assets or invested in capital assets
- In all other months, the PHA's UNP should reflect any administrative fee net loss for the year and the income or loss of other activity reported under UNP (i.e., portion of fraud recovery, interest income, etc.)

Notes

- Include all port-in activity
- Interest earned on RNP up to \$500 is considered UNP / admin activity
- Pensions and OPEB liabilities should be included in UNP with comment
- FSS grants should not be reported as UNP
- Does not include Mainstream 5 activity or other non-HCV programs (i.e. Mod Rehab)
- Can be zero or negative





Portability Provision



Portability Provision

- Section 8(r) of the US Housing Act of 1937, as amended by the Quality Housing and Work Responsibility Act of 1998 (QHWRA)
 - Allows a family with a housing choice voucher, but with certain restrictions, to use that voucher to lease a unit anywhere in the United States where there is a PHA operating the HCV program
 - This feature of the HCV program is referred to as portability and is the process of leasing an HCV unit outside of the jurisdiction of the PHA that initially issued the family its voucher.



Common Terms Used in Portability Discussions

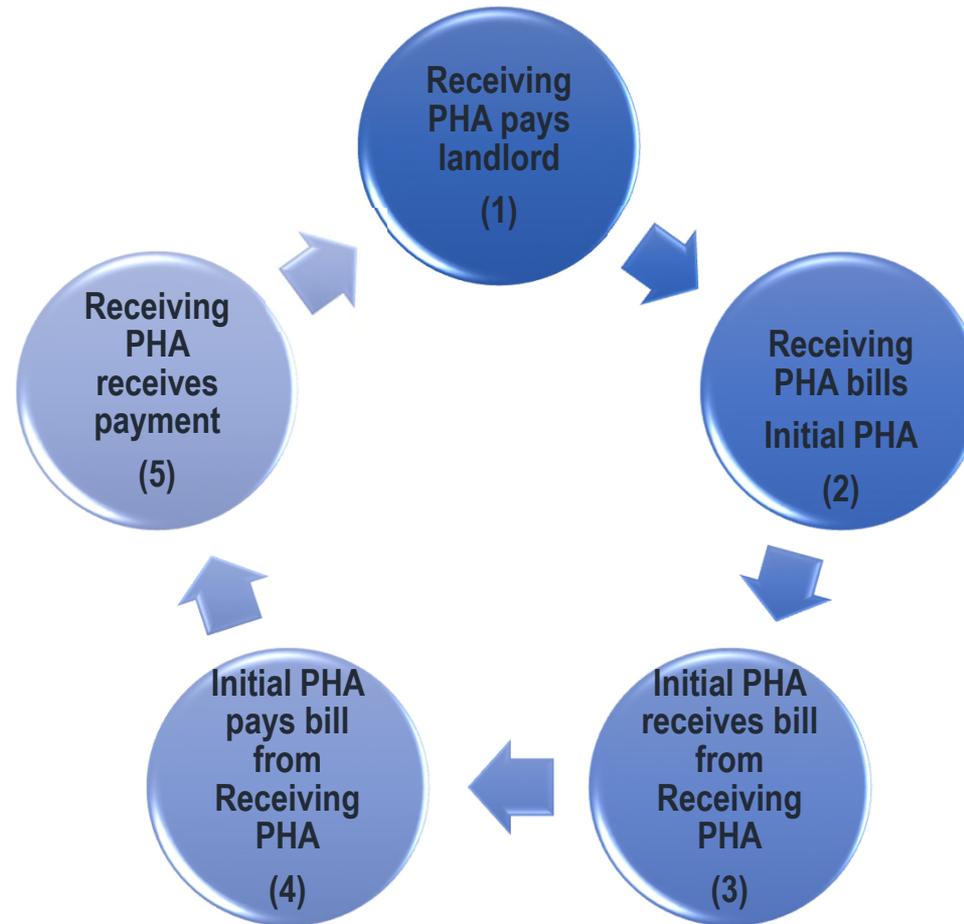
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- **Initial PHA:** The PHA that issues the ACC voucher to a family that wants to move to a different jurisdiction.
- **Receiving PHA:** The PHA in the jurisdiction to which the family wishes to relocate
 - The receiving PHA may bill the Initial PHA for the HAP and administrative costs of the voucher, the voucher remains an ACC voucher of the initial PHA or
 - The receiving PHA may absorb the voucher into its own program. The voucher used is now the receiving PHA's ACC
- **Port In (Family):** Refers to program participant at the receiving PHA
- **Port Out (Family):** Refers to program participant that no longer resides in the initial PHA's jurisdiction but is under the receiving PHA's jurisdiction, i.e., a family ports out of the initial PHA's jurisdiction and ports into the receiving PHA's jurisdiction



Portability Accounting and Billing Cycle

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Billing Amounts

- The initial PHA is required to pay the receiving PHA
 - HAP: 100% of the HAP paid by the receiving PHA
 - Administrative Fee: Lessor of
 - ◆ 80% of the initial PHA's ongoing administrative fee; or
 - ◆ 100% of the receiving PHA's ongoing administrative fee

Administrative Fee Details

- ◆ Fee rate is based on column B rate of the fee schedule
- ◆ Proration is applicable
- ◆ PHAs can agree to another amount



Portability – FDS Line Items

FDS Line	Account Description
121	Accounts Receivable - PHA Projects
332	Accounts Payable - PHA Projects
71500	Revenue Portability (HAP & Admin Fees - Receiving PHA)
96200	Other General Expense (Admin Fees - Initial PHA)
97300	HAP Expense (Initial PHA)
97350	HAP Portability-In (Receiving PHA's Landlord Payment)



Portability – Journal Entry

HAP Payment to Landlord by the Receiving PHA:

FDS Account & Description	Debit	Credit
(97350) Housing Assistance Payment Portability	XXX	
(111) Cash - Unrestricted		XXX

Receiving PHA Invoices the Initial PHA:

FDS Account & Description	Debit	Credit
(121) Account Receivable - PHA Projects (HAP and Administrative Fee)	XXX	
(71500) Revenue Portability (HAP and Admin Fee)		XXX



Portability – Journal Entry

Initial PHA Records Payment to the Receiving PHA:

FDS Account & Description	Debit	Credit
(97300) Housing Assistance Payments (Reimbursement for Landlord Payment)	XXX	
(96200) Other General Expense (Admin Fee Paid) (332) Accounts Payable - HUD PHA Programs (HAP and Admin Fee)	XXX	XXX

Initial PHA Makes Payment to the Receiving PHA:

FDS Account & Description	Debit	Credit
(332) Accounts Payable - HUD PHA Programs (Reimbursement for Landlord Payment and Administrative Fee)	XXX	
(111) Cash - Unrestricted (Admin Fee)		XXX
(113) Cash - Other Restricted (HAP)		XXX



Portability – Journal Entry

Receiving PHA Records Payment from the Initial PHA:

FDS Account & Description	Debit	Credit
(111) Cash - Unrestricted	XXX	
(121) Accounts Receivable - PHA Projects (Reimbursement for landlord payment and Admin Fee)		XXX





VMS Reporting Issues



Issues to Discuss

- Reporting of Cash/Investment Balances
- Reporting of Administrative Expenses
- Reporting of HAP Expenses
- Reporting of UNP Balances
- Reporting of RAD Vouchers
 - VMS Quality Audits
 - Units Leased
 - Reporting of RNP



Sample VMS Data

From	1/1/2018		
To	12/1/2018		
As of	5/7/2019		
PHA Code	XX000		
PHA Name	Housing Authority of City		
PHA Type	Combined		
Point of Contact	Executive Director		
Point of Contact Phone	(789) 123-4567		
E-mail	testname@housingauthority.org		
	Jan-18	Nov-18	Dec-18
Portable Vouchers Paid	6	5	5
Portable Voucher Paid HAP	\$4,100	\$2,226	\$2,816
HOPE VI			
HOPE VI HAP			
Tenant Protection			
Tenant Protection HAP			
All Other Vouchers	331	344	335
All Other Vouchers HAP	\$242,974	\$261,001	\$258,476
FSS Escrow Deposits			
All Voucher HAP Expenses After the First of Month			



Sample VMS Data, cont'd

Total Vouchers	337	349	340
HAP Total	\$247,074	\$263,227	\$261,292
Number of Vouchers Under Lease (HAP Contract) on the last day of the Month	331	344	335
HA Owned Units Leased - included in the units leased above			
New vouchers issued but not under HAP contracts as of the last day of the month		10	5
Portable Vouchers Administered (Port In)			
Total HAP for Portable Units Administered			
Fraud Recovery Total Collected This Month	\$374	\$322	\$274
Interest or other income earned this month from the investment of HAP funds and Net Restricted Assets			
FSS Escrow Forfeitures This Month			
Number of Hard to House Families Leased		2	1
FSS Coordinator Expenses Not Covered by FSS Grant			
Non - MTW Administrative Expenses	\$22,706	\$26,017	\$28,902
Audit			
Unrestricted Net Position (UNP) as of the Last Day of the Month	\$305,169	\$303,791	\$301,687
Restricted Net Position Funds (RNP) as of the Last Day of the Month	\$7,294	(\$12,643)	\$4,808
Cash/Investment as of the Last Day of the Month - Voucher Program Only	\$391,400	\$357,615	\$362,824
Type of Account-1			
Activity-1			



Sample VMS Data, cont'd

Disaster Broker Fee			
Name of HA Point of Contact	Test Name	Test Name	Test Name
Point of Contact Phone	789-123-4567	789-123-4567	789-123-4567
Ext.:	1	1	1
Point of Contact E-mail Address	testname@housingauthority.org	testname@housingauthority.org	testname@housingauthority.org
Name of Authorized HA Official	Test Name	Test Name	Test Name
Official Housing Authority E-mail Address	testname@housingauthority.org	testname@housingauthority.org	testname@housingauthority.org
FMC Financial Analyst	Test Name	Test Name	Test Name
E-mail Address	testname@housingauthority.org	testname@housingauthority.org	testname@housingauthority.org
FA Phone Number	789-123-4567	789-123-4567	789-123-4567
Ext.			
Field Office Code	0XXX	0XXX	0XXX
Field Office Name	XXX	XXX	XXX
Field Office Point of Contact	Test Name	Test Name	Test Name
FO POC E-mail Address	testname@housingauthority.org	testname@housingauthority.org	testname@housingauthority.org
FO POC Phone Number	789-123-4567	789-123-4567	789-123-4567
Ext.			
Technical Assistance Center	789-123-4567	789-123-4567	789-123-4567
Date	12/5/2018	12/10/2018	4/12/2019



Issues to Discuss, cont'd

- The Voucher Management System (VMS) is an online system created to track voucher unit and HAP cost data.
- Used for funding purposes
- VMS submissions are due on the 22nd of the following month.
 - The amounts reported in VMS follow specific rules that do not necessarily follow GAAP accounting principles.
 - Data fields in VMS have a “?” If you click on it, it gives a description of what should be reported in that field.



VMS Cash/Investments Definition

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- Cash/Investments as of the last day of the month – Voucher Program only.
- Cash/Investments as of the last day of the month are the total amount of HAP and AF cash and investments for the HCV program.
 - Amounts reported
 - ◆ Cash and investments as they relate to NRP and UNP balances as of the last PHA FYE
 - ◆ any additional funds that may have been reported in the UNP and NRP fields through the month being reported.
 - This total amount must include only those HAP and AF funds (including any interest or revenue derived) received for the HCV program, including interest earned, fraud recovery and Family Self-Sufficiency (FSS) forfeitures.
 - Funds received for an FSS Coordinator and not expensed must not be included.
 - **Cash and investments for FSS escrows must not be included, nor should any cash or investments representing other current liabilities to the PHA, such as outstanding checks and “accrued compensated absences – current period.”**
 - ◆ These funds are already restricted for specific purposes and are not available for use to pay HAP or other administrative costs.



VMS Reporting – Cash & Investments Example

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Cash	60,000
Cash - FSS Deposits	6,000
Prepaid Insurance	1,500
Equipment - (Net of Depre.)	<u>4,500</u>
Total Assets	<u><u>72,000</u></u>
Accounts Payable	2,000
Accrued Leave - Current	3,000
Interprogram - Due to	15,000
FSS Escrow Liabilities	6,000
Accrued Leave - Noncurrent	12,000
Pension Liability (GASB 68) - Noncurrent	<u>14,000</u>
Total Liabilities	<u>52,000</u>
Unrestricted Net Position	8,000
Restricted Net Position (HAP)	7,500
Investment in Capital Assets	<u>4,500</u>
Total Net Position	<u>20,000</u>
Total Liabilities and Net Position	<u><u>72,000</u></u>

Item	Balance
Cash	\$60,000
Add: Investments	-----
Less: Accounts Payable	\$(2,000)
Less: Accrued Leave-Current Portion	\$(3,000)
Less: Inter-Program Due To	\$(15,000)
Net Cash to Report in VMS	\$40,000

The cash amount reported in VMS differs from the balance reported on the FDS due to VMS requirements mandating that current liability balances be deducted from cash balances to arrive at a net balance available.



VMS Reporting – Administrative Expense

87

- Total administrative expenses, direct and indirect, incurred by the PHA for the Voucher Program. This amount excludes:
 - Expenses covered by FSS/Homeownership Coordinator grants
 - Housing Conversion fees
 - Mobility Counseling
 - ROC fees (and other special purpose one time fees provided)
 - Preliminary Expenses and Portability Payments due from another Housing Authority.



- A PHA may need to include capitalized expenditures, as these costs have a direct impact to the unrestricted net position balance.
- Depreciation expense does not impact unrestricted net position. It impacts Investment in Net Capital Assets.
- Portability HAP payments (port-in) are not being included as a cost due to the reimbursement nature of the program transaction.



Calculate VMS Admin Expenses

Admin. Salaries	12,000	★
Employee Benefits	4,100	★
Audit	700	
Office Rent	400	★
Office Supplies	350	★
Insurance	500	★
Port-out Admin. Fees	250	★
Port-in HAP Payments	1,380	
Capitalized Expenditures	1,200	★
Depreciation	600	
Transfer of Pre-2004 Reserves	<u>5,000</u>	
Total Admin. Costs	<u><u>26,480</u></u>	

★ Administrative expenses to be reported to VMS total \$18,800.



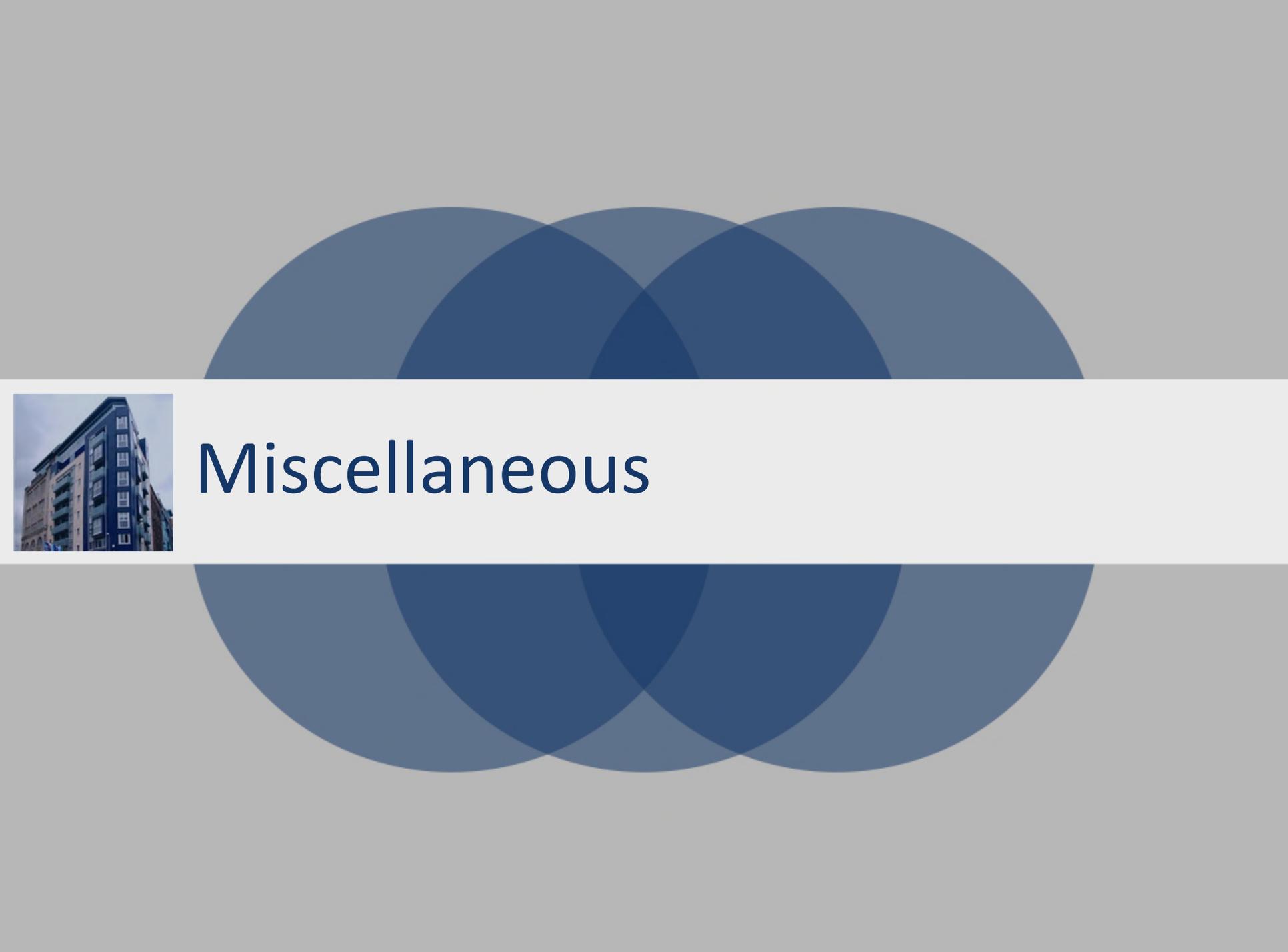
- AF revenue used to calculate the UNP reported in this field does not include AF received during the current PHA FY.
 - Excess AF received does not accumulate to the UNP until the end of the PHA's FY. The excess fees received during the PHA's current FY will not be reported in the UNP field until after the PHA's FYE.
- **The monthly amount reported is the UNP balance at the beginning of the year plus any interest earned and fraud recovery allocated to the UNP account for the months in the current year.**
 - PHAs must include in this field their pre-2005 AF balance, formerly referred to as their operating reserve (also known as their AF reserve).



VMS Reporting – UNP Balance

- In a nutshell, PHAs are prohibited from including any administrative fee profits generated from HUD funding (HCV Admin. Fees) in the unrestricted net position balance.
- However, net losses related to administrative fees should still be included as a reduction to the unrestricted net position balance.





Miscellaneous



Adjustments & Corrections

- PHAs are reminded that a number of accounting transactions do not automatically flow into FDS accounts:
 - 11170 Administrative Fee Equity
 - 11180 HAP Equity(e.g., other state/local grants, transfers, other revenue, prior period adjustments, corrections of errors, etc.)
- PHAs need to ensure that the Other Revenue and Other Expense detail lines are properly completed with explanatory comments.
- Audit adjustments and other errors, especially related to HAP will normally require the PHA to revise VMS reporting.



Pre-2004 Administrative Fee Equity

- Once pre-2004 administrative fees have been spent on an eligible activity, FDS line 11170-005 pre-2004 Administrative Fee Reserves should not be increased.
 - Ancillary all-current administrative fee funding / revenue is attributable to post-2003 administrative fee reserves.



- Effective April 2016, RAD Component 1 and 2 leasing and expense information is no longer reported in the Tenant Protection voucher lines.
- Effective April 2016, RAD HAP and Leasing information should be reported in
 - Rental Assistance Component 1 (RAD 1) - Total HAP paid / units leased beginning January 1 of the first full calendar year for all RAD Component 1 awards
 - Rental Assistance Component 2 (RAD 2) - Total HAP paid / units leased beginning January 1 of the first full calendar year for all RAD Component 2 awards
- (Note – Do not revise Tenant Protection data for January – March of 2016)



PHA Review of Reported Data

- It is recommended that PHA accounting and HCV staff review **quarterly**:
 - Last two of years of VMS and FDS
 - Other in-house reports
 - The data for:
 - ◆ Consistency in reporting
 - ◆ Variances that cannot be explained
 - Known variances
 - Known variances where a correction should have already been applied
 - Known variances where a correction will be applied at a future time





Example QAD Findings



Improper Cash Reporting

- Cash on hand does not match amount reported in VMS.
- For this issue QAD looked at the actual bank statement to work backward to the amount reported in VMS.

Item	Amount
Bank Balance	\$50,000
Investment Balance	\$28,000
MINUS	
Unspent FSS Coordinator Grants	\$-----
FSS Escrow balances	\$(12,500)
Outstanding checks	\$(3,200)
Other current liabilities	(4,200)
QAD validated cash	\$58,100



Comingling of Cash

- The PHA comingles all their funds into one general fund and an accounting structure has not been established in a manner that clearly determines how much cash is available for the HCV Program.
- The PHA provided bank statements and reconciliation documents but was unable to provide QAD with an entity-wide balance sheet demonstrating how much cash and investments represented the cash specific to the HCV Program.



Insufficient Cash Balances

100

- The PHA's cash balances were insufficient to cover the PHA RNP account balance.



General Depository Agreement

101

- The PHA failed to execute a General Depository Agreement (GDA) (HUD-51999), for the HCV accounts with their financial institution.



- The HCV program has significant “due to” balances owed to the COCC that has accumulated over several years.
- Recommendation: the PHA should evaluate the COCC fees to determine if they are reasonable. In addition, the PHA may consider writing off the accounts owed to the COCC as a “bad debt”.



- General ledger balances for participant escrow amounts did not match documentation received from the FSS Coordinator.
- FSS escrow bank account balance was insufficient to support the actual escrow balances.



Retroactive HAP Expenses

- PHAs are required to report HAP expenses in the month they were incurred and to apply HAP expenses against the RNP in the month incurred.
- Finding: The PHA did not adjust retroactive expenses as required for VMS reporting.



- The PHA lacked support to confirm the validity of a transfer of equity from the DHAP account to the HCV Administrative Account.



- Finding: Portability expenses and revenues were incorrectly tracked and reported.
- HAP expense was expenses in its regular HAP account. The related receipts and admin. fees were adjusted upon the preparation of the FDS.
- Port-in outstanding balances were unable to be supported, thereby utilizing HAP funds to support the port-in units.



- Finding: A comparison of administrative expenses reported in VMS to the general ledgers. The administrative expenses were over reported by \$?????? for the 12-month period.



Inappropriate Use of HCV Program Funds

108

- Undocumented cost allocation plans
- Travel Costs
- Use of funds for other programs
- Managing other programs within the HCV Fund



- Example finding: The PHA's allocation methodology forced the inappropriate use of HCV funds to cover low rent's administrative expenses.



Peer-to-Peer Analysis

- Typically, QAD will include a report comparing the administrative cost to other PHAs with a similar number of units and close in proximity.
- The costs is reported as a cost per unit month leased basis.



Equity Balances Reported

- Finding: The RNP and UNP account balances were incorrectly reported in VMS.
- Cause: Accounting processes increase the workload for staff as expenses are moved between the administrative section and HAP sections.
- Noted discrepancies included:
 - HUD disbursements could not be reconciled to trial balance.
 - Admin. fee disbursements could not be reconciled to trial balance.
 - Admin. fee equity detailed port-in income without amounts being reported properly on the trial balance or the top-level FDS.
 - FSS forfeitures were not reported on the appropriate line item.



- Administrative fees were used to reimburse employees for meals within the PHA's jurisdiction.
- These costs were disallowed and required the PHA to reimburse the HCV Program from non-federal sources.



Other Programs

- The PHA provided counseling services for families participating in a first-time home buying program.
 - The costs of providing these services were charged to the HCV Program.
 - Some of the participating families were not in the HCV Program.
- This was considered a separate program that should have reported costs separately from the HCV Program.
 - Costs related to the program were not permitted to be charged to the HCV Program.





QAD Concerns



Reporting of RNP and UNP Balances

115

#1 Concern – Overall RNP and UNP balances are not calculated following the guidelines set forth in PIH Notice 2015-17.



Failure to Correct VMS

- Several PHAs fail to make necessary corrections in VMS upon the discovery of an error.
- This could result in the issuance of non-compliance letter.



Portability-In HAP Payments

- Incorrectly including port-in HAP payments in the regular voucher HAP payments and in the restricted net position (RNP) calculation.
- It is recommended that port-in HAP payments be separated in the general ledger from other HAP payments.



Failure to Maintain Proper Internal Controls

118

- Due to establishing an appropriate internal control, PHAs are put in financial risk:
 - From using HAP funds for non-HAP expenses
 - Excessive spending on questionable items
 - Misuse of HAP funds preventing assistance for additional families



Corrective Action Plans

- The PHA has failed to respond to HUD's Review by not completing Corrective Action Plan (CAP).
- The CAP is **poorly** thought out.
- The CAP is not being adhered within the schedule provided by the PHA.



Ineligible use of HCV Administrative Fees

120

- During reviews, increased incidences of ineligible costs including:
 - Unsupported travel expense reimbursements
 - Food
 - Employee personal cell phones
 - Other disallowed items

Risks: PHAs need to be clear as to charges permitted to the HCV program, excluding COCC costs, other program related costs, and excessive centralized fees.



Management Fee Calculation

- PHA's using the 20% of admin. fee threshold for charging management fees are not revising the amounts to match with the actual fees earned after proration.
- Fees are not being recalculated as units leased amounts are recomputed in VMS.



Pre-2004 Admin. Fee Reserves

122

- Pre-2004 admin. fee reserves are being replenished with current admin. fees earned after resources have been used in the previous year.



Failure to Carry a Fidelity Bond

- A fidelity bond is not maintained for individuals processing payments throughout the program.

Risks: Fidelity bonds are not being maintained as required by the ACC Contract. Individuals are not being identified that may have access to create fraudulent payments.



- Amounts recorded in VMS does not match the trial balances without documented adjustments.

Risks: Amounts being reported are not being initially taken from financial statement data. Amounts are being taken from separate systems without a reconciliation to the general ledger system. Amounts reported in VMS is estimated.



Due to/Due from Accounts

- PHAs fail to settle inter-program account balances by the end of the fiscal year.

Risks: Cash balances have been improperly reported in VMS due to the result of carrying these balances. Funding for the HCV program has been inappropriately used for other programs.



FSS Forfeitures

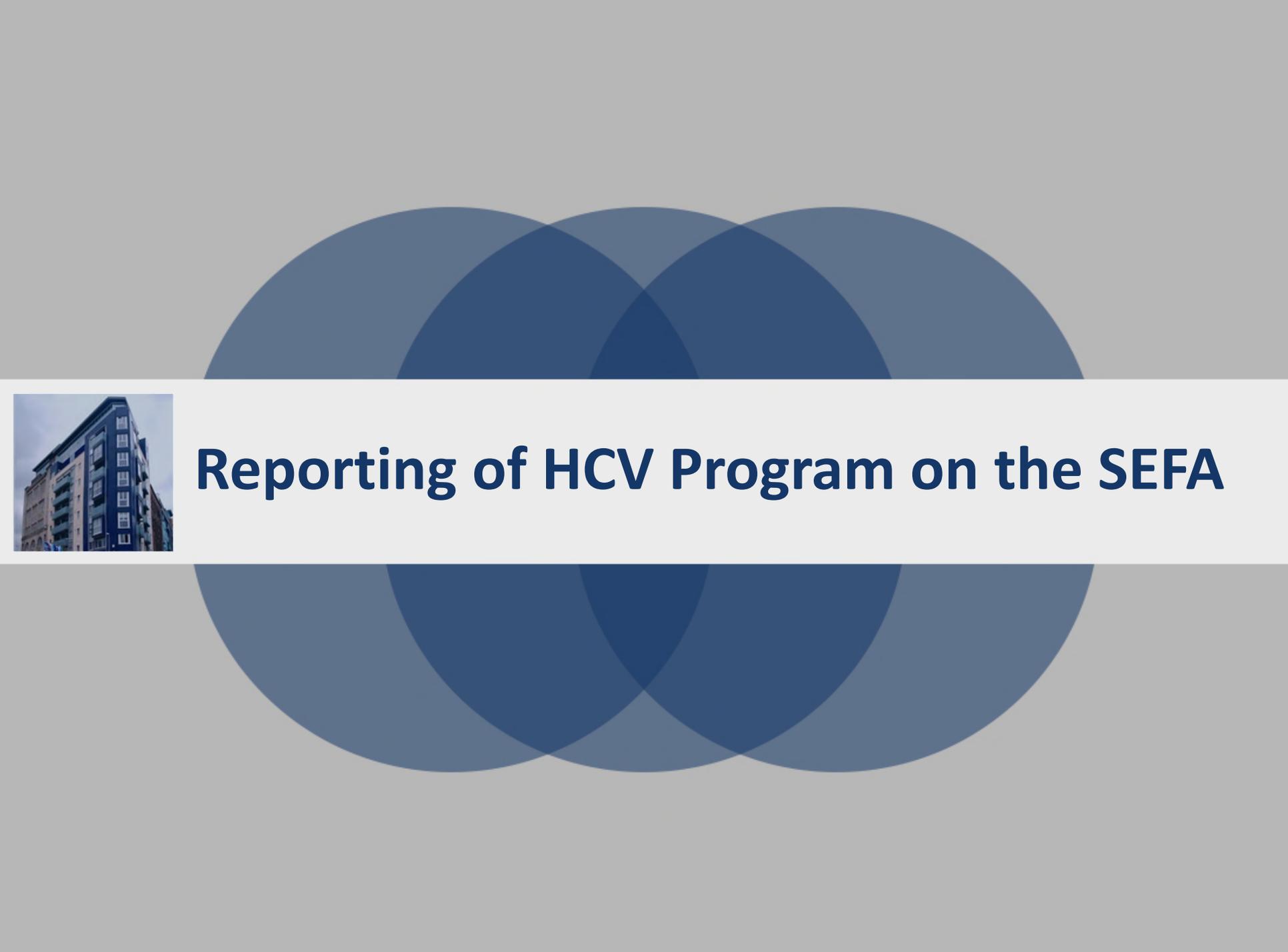
- Reported FSS forfeitures:
 - Are not reported in general ledger
 - Are being reported in the Administrative fee equity section as other income
 - Are being reported as a reduction to HAP expense

Risks: Accounting for the FSS Program does not comply with Accounting Brief #23.



- Lack of communication between program and accounting staff
- Turnover in PHA staffing without training being provided
- Timeliness of financial statement processing
- Lack of providing actual financial statements including the balance sheet





Reporting of HCV Program on the SEFA



Federal Awards Expended

- Determining Federal Awards Expended on the Schedule of Expenditure of Federal Awards (SEFA) (2 CFR 200.502 (a))
 - For a Federal award to be considered expended, it must be based on when the activity related to the Federal award occurred.
 - Activity pertains to events that require the non-federal entity to comply with federal statutes, regulations, and the terms and conditions of Federal awards.



SEFA and HCV Program Expenses

- For the HCV program, REAC will accept the federal awards expended reported on the SEFA/DCF as either:
 - 1) equal to FDS line 70600 (HUD PHA Operating Grants); or
 - 2) equal to FDS line 90000 (Total Expenses) less FDS line 97400 (Depreciation Expense) plus transfers out of Federal funds plus balance sheet only activities

FDS Line Items	Description
FDS Line 70600 (HUD PHA Operating Grants)	Annual Budget Authority or HUD Revenue Recognized
FDS Line 90000 (Total Expenses) less FDS Line 97400 (Depreciation Expense) plus any transfers out of Federal funds plus federal funds used for balance sheet only activities, such as the acquisition of capital assets.	Program Expenditures



SEFA and Port-In Activity

- It is HUD's recommendation that federal funds involved in both port-in and port-out activity be:
 - Included in each PHA's (Initial and Receiving) SEFA
 - Subject to audit procedures if the PHA meets the Single Audit requirements
- Specifically, including the port-in activity and the associated HAP expense on the Schedule of Expenditure of Federal Awards ensures the port-in is properly included in the universe for audit testing.



References

- PIH Notice 2018-09: Implementation of the Federal Fiscal Year (FFY) 2018 Funding Provisions for the Housing Choice Voucher Program
- PIH Notice 2013-28: Guidance on the Use of Outside Sources of Funds in the Housing Choice Voucher (HCV) Program
- Accounting Brief #19: Revenue Recognition for Housing Assistance Payments and Administrative Fees for the Housing Choice Voucher Program
- 24 CFR Part 792 – Public Housing Agency Section 8 Fraud Recoveries



References, cont'd

- FSS program
 - 24 CFR 984: Family Self-Sufficiency Regulation
 - FFY 2014, 2015 and 2017 Notice of Funding Availability (NOFA) for Family Self-Sufficiency Program
 - Accounting Brief #23: Financial Reporting for the Family Self-Sufficiency Program
- Portability Provision
 - 24 CFR 982.353 through 982.355
 - Accounting Brief #18: Accounting Procedures for Recording Portability Transactions for the Housing Choice Voucher (HCV) Program
 - PIH Notice 2016-09: Housing Choice Voucher (HCV) Family Moves with Continued Assistance, Family Briefing, and Voucher Term's Suspension







